

Equity Market Review & Outlook

REVIEW

- ▶ The US equity markets continued to perform well during the month, with the Dow Jones Industrial Index hitting all-time highs mid-month. Investor sentiment remains positive on the back of expected continued global efforts to ensure accommodative monetary policy is still on the agenda. The US is unlikely to raise their interest rates just yet, with the earliest forecast to be December 2016. Attention was diverted to the Brazil 2016 Olympics held during the month, marred by the controversy of many of the Russian team banned from competing on drug use allegations and the fear of the spread of the Zika virus.
- ▶ The KLCI also hit a high of 1,700 points mid-month, spurred by an expectation of an early general election, and stronger commodity prices. The announcement of Tan Sri Wahid Omar's appointment as PNB's chairman has spurred expectation of more mergers and acquisitions within the PNB stable of companies. Crude oil prices trended up 6.6% higher mom. Crude palm oil prices have also done well with tight production of FFB and increased imports from China. August was results reporting season, and corporate Malaysia generally delivered lower than expected earnings yet again, resulting in consensus downgrades in market earnings growth for 2016 to approximately -2% yoy, the third year of negative growth.
- ▶ The KLCI rose 1.5% mom in August to close at 1,678.06 points. The broader market gained 1.71% outperforming the KLCI, as plantation (+3.63%) and property (+3.46%) stocks gained during the month. The sectors that performed the worst were Consumer (-0.36%) and Technology (+0.32%). The FBM Small Cap Index declined by 1.1%. Average value traded on Bursa in August was up 5% mom to RM1.9bn.

OUTLOOK

- ▶ Post the G20 meet recently, the BREXIT expected negative impact on UK's economy has been tempered as growth was revised up. Uncertainty still exists but it may not be all doom and gloom, as the UK government is in the midst of securing agreements with different countries to minimize the impact of a BREXIT. The US economy remains on a stable recovery path, and hence a December 2016 US rate hike cannot be discounted, especially since the Trump Presidential bid seems to have had setbacks. China's economy is still in a state of trying to juggle the internal restructuring, shutting down excessive capacity, and yet deal with growing tensions with its Asian neighbours on maritime disputes. The 2016 Hong Kong Legislative Council elections held 4 September 2016 saw a bigger turnout of voters, but there is an underlying tension for elected members to be law-abiding and not to promote thoughts of independence.
- ▶ Domestically, we expect the Malaysian economy to continue to hold up well, with the benefit of the EPF contribution cut, the next BRIM installments, and the civil servants bonus and increment payments in June to help shore up consumer demand which has been fairly resilient thus far. However, there is some concern that the government's fiscal deficit target for 2016 may not be met with lower than expected GST collections and higher than normal expenditures for 1H16, 2H16 finances look tight. Hence we are still not ruling out an OPR cut by BNM end of the year.
- ▶ We expect markets will remain volatile, compounded by the other risks we mentioned above. We remain cautious on Malaysian equities, but any correction in the market would serve as an opportunity to accumulate fundamentally strong stocks on weakness.

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INDEX PERFORMANCE & MOVERS

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HMOV Report **FBM100 2016/8/1** Equity Index Movers

Start	11283.78	End	11496.78
Change	+213.00	%Change	+1.89%
Current	100	Up	69
Additions	0	Down	27
Removals	0	Unch	4

Date Range: 2016/8/1 - 2016/8/30
 Sort: Index Points
 Display: Name Ticker
 View: Detailed News
 Change: Net Percent

Leaders	End Price	%Chg	Points	%Idx M	Laggers	End Price	%Chg	Points	%Idx M
21) CIMB Group Holding	4.80	+10.60	+45.3759	+21.30	41) Malayan Banking B	7.82	-2.49	-18.9439	-8.89
22) Sime Darby Bhd	7.89	+6.33	+27.2818	+12.81	42) Genting Bhd	7.80	-5.11	-16.4267	-7.71
23) Tenaga Nasional Bh	14.74	+2.50	+22.3956	+10.51	43) Axiata Group Bhd	5.49	-3.51	-15.8659	-7.45
24) Public Bank Bhd	19.80	+1.54	+16.4508	+7.72	44) RHB Bank Bhd	5.00	-1.77	-1.7762	-0.83
25) Felda Global Ventur	2.27	+22.70	+13.7881	+6.47	45) UMW Holdings Bhd	5.57	-2.28	-1.5201	-0.71
26) Maxis Bhd	6.28	+4.32	+12.0416	+5.65	46) Westports Holdings	4.45	-1.11	-0.9325	-0.44
27) SapuraKencana Petr	1.58	+10.49	+11.4200	+5.36	47) Berjaya Auto Bhd	2.26	-3.42	-0.9044	-0.42
28) IOI Corp Bhd	4.42	+4.49	+11.2324	+5.27	48) Mah Sing Group Bh	1.59	-1.85	-0.8245	-0.39
29) Genting Malaysia B	4.44	+3.50	+7.5021	+3.52	49) AirAsia X Bhd	0.375	-6.25	-0.8051	-0.38
30) Petronas Chemicals	6.69	+2.14	+7.1144	+3.34	50) Berjaya Corp Bhd	0.335	-4.29	-0.7607	-0.36
31) SP Setia Bhd Group	3.49	+13.68	+6.6230	+3.11	51) Media Prima Bhd	1.41	-2.76	-0.6965	-0.33

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Source: Bloomberg

Indices	Last Price		MoM Changes	
	29-Jul-16	30-Aug-16	+/-	%
FBM KLCI	1,653.26	1,678.06	24.80	1.50%
FBM MES	5,420.20	5,259.03	-161.17	-2.97%
FBM 100	11,283.78	11,496.78	213.00	1.89%
FBM 70	13,206.72	13,615.66	408.94	3.10%
FBM SCAP	15,332.06	15,163.02	-169.04	-1.10%
FBM EMAS	11,585.11	11,783.40	198.29	1.71%
FBM SHA	12,198.77	12,430.50	231.73	1.90%
FBM HIJRAH	13,657.63	13,935.08	277.45	2.03%
MSCI APxJ	436.66	445.73	9.07	2.08%

Source: Bloomberg